

# **Exhibit 3**

1 Page 1

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3 UNITED STATES BANKRUPTCY COURT  
4 DISTRICT OF DELAWARE

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IN RE: Chapter 11

W. R. GRACE & CO., et al., 01-1139 (JFK)

Jointly

Debtors. Administered

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HIGHLY CONFIDENTIAL

DEPOSITION OF PAMELA D. ZILLY

New York, New York

August 20, 2009

Reported by:

Bonnie Pruszynski, RMR

JOB NO. 24345

<p style="text-align: right;">Page 146</p> <p>1       <b>Zilly - Highly Confidential</b>  2       there would be from the cash that comes into the  3       Chapter 7 trustee to get to the amount that is  4       left over for distribution to general unsecured  5       creditors?</p> <p>6       A   The cost associated with the  7       Chapter 7 liquidation and any costs that are  8       allowed and any expenses that are allowed that  9       were incurred under the Chapter 11 reorganization,  10      and priority tax claims and priority claims. I  11      don't recall if you mentioned those.</p> <p>12      Q   Preparing the best interests analysis  13      requires making assumptions about how the  14      Chapter 7 case will play out; is that correct?</p> <p>15      A   Yes.</p> <p>16      Q   And the quality of the best interests  17      analysis depends on the reasonableness of those  18      assumptions, does it not?</p> <p>19      MR. LEIBENSTEIN: Objection.</p> <p>20      A   I don't know what you mean by the  21      quality.</p> <p>22      Q   Let me ask it again. I'm sorry, let  23      me withdraw the question and ask another one.</p> <p>24      The accuracy of the best interests  25      analysis depends on the reasonableness of the</p>	<p style="text-align: right;">Page 147</p> <p>1       <b>Zilly - Highly Confidential</b>  2       assumptions; is that correct?</p> <p>3       MR. LEIBENSTEIN: Objection.</p> <p>4       A   Again, I am having trouble with the  5       word "accuracy." This is a hypothetical analysis  6       of a Chapter 7 liquidation using the most  7       reasonable assumptions and/or facts that were in  8       evidence at the time.</p> <p>9       Q   And would you say that in preparing  10      the best interests analysis for Grace, you have  11      used the most reasonable assumptions that are  12      available at this time?</p> <p>13      A   Yes.</p> <p>14      Q   There is always uncertainty about how  15      a Chapter 7 case will turn out, is there not?</p> <p>16      A   Uncertainty as to what?</p> <p>17      MR. LEIBENSTEIN: You know it's going  18      to be liquidated.</p> <p>19      Q   Well, there is always uncertainty as  20      to the percentage distribution to general  21      unsecured creditors that will be the bottom line  22      result, is there not?</p> <p>23      MR. LEIBENSTEIN: Objection.</p> <p>24      A   I'm sorry, I'm having trouble with  25      your question. There is -- I believe the first</p>
<p style="text-align: right;">Page 148</p> <p>1       <b>Zilly - Highly Confidential</b>  2       question was, there is always uncertainty as to  3       how a Chapter 7 would turn out. And then the  4       second question was, there is always uncertainty  5       with respect to the percentage distribution to  6       unsecured creditors.</p> <p>7       Q   You can answer either one.</p> <p>8       A   Well, I guess my question is or my  9       problem with the question is, is the concept of  10      uncertainty. If there is uncertainty with respect  11      to the fact that actual results may differ than my  12      assumptions, yes.</p> <p>13      Q   And that's because it is inherently  14      unforeseeable how, how the Chapter 7 case will  15      turn out?</p> <p>16      MR. LEIBENSTEIN: Objection.</p> <p>17      Q   Is that correct?</p> <p>18      A   Are you asking specifically with  19      respect to this analysis or in general?</p> <p>20      Q   Well, why don't I withdraw the  21      question, and we'll really just move on.</p> <p>22      This best interests analysis provides  23      a range of projected outcomes; is that correct?</p> <p>24      A   Yes.</p> <p>25      Q   And in the best interests analysis</p>	<p style="text-align: right;">Page 149</p> <p>1       <b>Zilly - Highly Confidential</b>  2       you prepared for Grace, the chance of generating  3       cash at the top end of the range is pretty small,  4       is it not?</p> <p>5       A   I'm sorry. Are you referring to  6       Chapter 7 or Chapter 11?</p> <p>7       Q   Chapter 7.</p> <p>8       MR. LEIBENSTEIN: I'm going to  9       object. I don't understand the question.</p> <p>10      MR. COHN: Well, what's more  11      important is whether the witness understands  12      the question.</p> <p>13      MR. LEIBENSTEIN: I agree with that.</p> <p>14      MR. COHN: And judging from the fact  15      that she sat there for 30 seconds without  16      answering, I'm beginning to have my doubts.</p> <p>17      A   Could you repeat the question?</p> <p>18      Q   Yes. Let me -- well, why don't I do  19      this. Let me ask it in more concrete terms.</p> <p>20      Let me direct your attention to page  21      three of Exhibit 14.</p> <p>22      A   Yes.</p> <p>23      Q   And ask you to look at the line that  24      is about three-quarters of the way down the page  25      called "Estimated value before provision for</p>

<p style="text-align: right;">Page 150</p> <p>1       <b>Zilly - Highly Confidential</b>  2       general unsecured claims, asbestos PI and PD  3       claims and equity interests."</p> <p>4       A    Yes.</p> <p>5       Q    And is it fair to say that that line  6       forecasts a range from a low of 2.211 billion to a  7       high of \$3.371 billion as being the range of  8       potential outcomes on that line?</p> <p>9       A    Under these assumptions, yes.</p> <p>10      Q    Now, the chance of generating the  11      full 3.371 billion at the top of that range is  12      pretty small, is it not?</p> <p>13      A    I mean, it assumes a range of  14      possible outcomes. On the Chapter 7 liquidation  15      high, the primary differences -- in fact, the only  16      differences between these two columns -- no, I'm  17      sorry, there is one other difference.</p> <p>18      But the significant difference in the  19      numbers refers to the assumption in the high  20      scenario that the Fresenius payment and the Sealed  21      Air payment would come in as a discounted value,  22      whereas in the low scenario it assumes that the  23      recovery under those two line items is zero.</p> <p>24      Q    So, so you are saying that is the  25      most significant of the differences between the</p>	<p style="text-align: right;">Page 151</p> <p>1       <b>Zilly - Highly Confidential</b>  2       high end and the low end; is that correct?</p> <p>3       MR. LEIBENSTEIN: Objection.</p> <p>4       A    That is the most significant in  5       dollar amount.</p> <p>6       Q    So, in percentage terms, what would  7       you say are the chances of achieving the high end  8       outcome of approximately 3.371 billion?</p> <p>9       A    I didn't assess this in terms of  10      percentage terms. There is an assumption made  11      that in the high end, that Chapter 7 trustee would  12      be, would be successful in achieving the same  13      settlements as Sealed Air and Fresenius paid under  14      the plan.</p> <p>15      The reason it's in the high column is  16      because -- and not in the low column -- is because  17      that represents a best outcome, which one cannot  18      assume, and therefore is zero in the low column.</p> <p>19      Q    You have no opinion about whether it  20      is more likely that the Chapter 7 trustee will  21      achieve the high-end figure, 3.371 billion, than  22      the low-end figure of 2.211 billion; is that  23      right?</p> <p>24      MR. LEIBENSTEIN: Objection,  25      mischaracterizes the testimony.</p>
<p style="text-align: right;">Page 152</p> <p>1       <b>Zilly - Highly Confidential</b>  2       MR. COHN: I wasn't trying to  3       characterize it.</p> <p>4       MR. LEIBENSTEIN: You started off by  5       "so." When you say "so," it sounds like  6       based on what you previously said. That is  7       what "so" implies.</p> <p>8       A    What this analysis says is there was  9       a range of values ranging from zero to the high  10      column. The zero column assumes that -- that the  11      trustee would not be able to achieve the same  12      settlements with Sealed Air and Fresenius, and the  13      reason for that assumption is primarily because of  14      a lack of 524G protection under a Chapter 7, in  15      which case it would -- it would -- it would be  16      optimistic to assume that Sealed Air would make  17      the same payments as it did under the Chapter 11  18      case, when in fact in the Chapter 7 case, the  19      reason for making -- I'm assuming the reason for  20      making that settlement was in fact getting the  21      benefit of the 524G injunction as well as  22      fraudulent conveyance issue would not be available  23      to them in the Chapter 7.</p> <p>24      Q    I would like to come back to the  25      specific issue of that line item and others a</p>	<p style="text-align: right;">Page 153</p> <p>1       <b>Zilly - Highly Confidential</b>  2       little later on.</p> <p>3       (Interruption in proceedings.)</p> <p>4       Q    So, right now I would like you to  5       try, if you can, to answer the question of what  6       level of comfort you have that the particular  7       bottom-line outcomes will be achieved, so, let me  8       again ask it, see whether I can ask it in a way  9       that permits you to answer.</p> <p>10      How likely is it, in your view, that  11      the Chapter 7 trustee will achieve at least the  12      low figure of 2.211 billion that you have  13      forecasted?</p> <p>14      A    Well, that is what my analysis  15      assumes on the low end.</p> <p>16      Q    So, therefore, would you say it is  17      your view that it is very likely that the trustee  18      will achieve at least the 2.211 billion result at  19      the low end?</p> <p>20      MR. LEIBENSTEIN: Objection.</p> <p>21      A    I don't have a view, nor do I  22      express a view, as to whether it's likely or not.  23      This is my range of values under the assumptions  24      that are set forth in the analysis. I don't have  25      a separate view with respect to these numbers.</p>

Page 154	Page 155
1 Zilly - Highly Confidential	1 Zilly - Highly Confidential
2 Q So, is it your testimony that you	2 A What I testified to is that I -- is
3 prepared a best interests analysis yielding a	3 that the assumptions that I used I believed were
4 result --	4 reasonable and -- the assumptions that I used were
5 (Interruption in proceedings.)	5 reasonable and that the analysis also included
6 (Discussion held off the record.)	6 other facts that were in evidence at the time this
7 Q Let's strike the question I was	7 analysis was prepared.
8 starting to ask.	8 (Record read.)
9 Does Exhibit 14 represent your	9 Q Does the best interests analysis,
10 forecast of the outcome likely to be achieved in a	10 which is Exhibit 14, represent a reasonable
11 Chapter 7 case of Grace?	11 forecast of the results of a Chapter 7 case of
12 MR. LEIBENSTEIN: Objection, asked	12 Grace?
13 and answered, mischaracterizes the	13 MR. LEIBENSTEIN: Objection.
14 testimony.	14 You can answer.
15 A Exhibit 14 makes certain assumptions	15 A It represents a reasonable result of
16 with respect to how a Chapter 7 liquidation would	16 an analysis that is based on assumptions that I
17 evolve, and page three sets forth what those	17 believe were reasonable.
18 assumptions are -- what these assumptions are and	18 Q But now please -- it was posed as a
19 what the, what the estimated values would be under	19 yes or no question, so would you please answer the
20 those assumptions.	20 question yes or no.
21 Q And am I correct to recall that you	21 Would you like it read back to you?
22 testified that the assumptions that you made were	22 MR. LEIBENSTEIN: I don't think it's
23 reasonable assumptions?	23 only a yes or no question. I think she is
24 MR. LEIBENSTEIN: Objection, asked	24 entitled to say she can't answer it yes or
25 and answered.	25 no also.
Page 156	Page 157
1 Zilly - Highly Confidential	1 Zilly - Highly Confidential
2 THE WITNESS: What was the question?	2 A No.
3 (Record read.)	3 Q Has any of the companies for which
4 MR. LEIBENSTEIN: Objection, asked	4 you performed a best interests analysis ever had
5 and answered.	5 its Chapter 11 case converted to Chapter 7?
6 A I can't answer that, or I have	6 A No.
7 answered it to the best of my ability.	7 Q Now, you said you have done best
8 Q In order to make reasonable	8 interests analysis for 15 years. Would you tell
9 assumptions about how a Chapter 7 case will play	9 me over that time approximately how many of these
10 out, you need to be familiar with how Chapter 7	10 analyses you prepared?
11 works; is that correct?	11 MR. LEIBENSTEIN: Objection, vague.
12 A Generally, yes.	12 A I don't recall.
13 Q Are you familiar with how Chapter 7	13 Q Well, let's do it this way: Would
14 works?	14 you just recite the names of the debtors for which
15 A Generally, yes.	15 you can now recall having done a best interests
16 Q How did you acquire that familiarity?	16 analysis?
17 A From experience in working with	17 MR. LEIBENSTEIN: Objection.
18 Chapter 11 cases, experience discussing	18 A Dow Corning, Babcock & Wilcox, ABB
19 Chapter 7 -- the potential of Chapter 11 cases	19 Lummas, Combustion Engineering. Those are the
20 being liquidated under Chapter 7, the experience	20 ones that I recall.
21 of having done best interests analysis for	21 Q When a Chapter 7 trustee sells a
22 15 years, and from discussing certain legal	22 business as a going concern, does he or she
23 aspects of a Chapter 7 liquidation with counsel.	23 typically emphasize a relatively speedy
24 Q Have you ever been engaged in any	24 disposition of the business?
25 capacity in a Chapter 7 case?	25 A Yes, consistent with still trying to



Page 162	Page 163
<p>1 Zilly - Highly Confidential</p> <p>2 I estimated the value of the</p> <p>3 reorganized debtors. I determined a discount</p> <p>4 factor. I determined what other assets would be</p> <p>5 available. And all of this, by the way, refers to</p> <p>6 both Chapter 7 liquidation and the Chapter 11</p> <p>7 cases reorganization.</p> <p>8 I determined the amount of possible</p> <p>9 insurance recovery. I analyzed the costs that</p> <p>10 would be in a Chapter 11 reorganization. I</p> <p>11 calculated the costs that would be in a Chapter 7</p> <p>12 liquidation based on the assumptions set forth on</p> <p>13 this page.</p> <p>14 I looked at the claims analysis that</p> <p>15 we had prepared based on claim filings to</p> <p>16 determine how much would be in the way of</p> <p>17 administrative expenses, priority tax claims and</p> <p>18 priority claims and secured claims.</p> <p>19 Did a mathematical calculation to</p> <p>20 determine what the estimated value would be before</p> <p>21 general unsecured claims, asbestos PI and PD</p> <p>22 claims and equity interests.</p> <p>23 Q All right. So let's go through that</p> <p>24 item by item.</p> <p>25 MR. LEIBENSTEIN: Is it now</p>	<p>1 Zilly - Highly Confidential</p> <p>2 convenient if I take a two-minute break?</p> <p>3 MR. COHN: Of course.</p> <p>4 (Recess taken.)</p> <p>5 BY MR. COHN:</p> <p>6 Q All right. Directing your attention</p> <p>7 to page three of Exhibit 14, would you first tell</p> <p>8 me what is the assumed date of conversion of the</p> <p>9 Grace bankruptcy case from Chapter 11 to Chapter 7</p> <p>10 under this analysis?</p> <p>11 A 12/31/09.</p> <p>12 Q Let's -- starting off with the line</p> <p>13 entitled "Estimated Value of Reorganized Debtors</p> <p>14 and Non-Debtor Affiliates," would you first tell</p> <p>15 me how you reached the figure itself, and then we</p> <p>16 will talk about the discount factor.</p> <p>17 A The value of the organized debtors is</p> <p>18 the same value that was set forth in the</p> <p>19 disclosure statement as the value of the</p> <p>20 reorganized enterprise value of the debtors based</p> <p>21 on the valuation analysis we did for the</p> <p>22 disclosure statement.</p> <p>23 And it's based on an analysis of --</p> <p>24 typical valuation analysis based on looking at</p> <p>25 comparable companies -- excuse me. It was an</p>
Page 164	Page 165
<p>1 Zilly - Highly Confidential</p> <p>2 enterprise, total enterprise value to EBITDA</p> <p>3 analysis, looking at comparable companies to</p> <p>4 Grace, as well as the average multiple of Grace's</p> <p>5 peer set of companies over the last ten years, as</p> <p>6 well as looking at precedent transactions.</p> <p>7 Q And was that valuation analysis the</p> <p>8 subject of an expert report?</p> <p>9 MR. LEIBENSTEIN: Objection, vague.</p> <p>10 A I don't believe so. I think it was</p> <p>11 simply set forth in the disclosure statement.</p> <p>12 Q Now, the next line is a discount</p> <p>13 factor. Would you please explain how that was</p> <p>14 derived.</p> <p>15 A The discount factor in the Chapter 7</p> <p>16 liquidation is presumed to be 50 percent off of</p> <p>17 the estimated value of the reorganized debtor and</p> <p>18 the non-debtor affiliates. That 50% is intended</p> <p>19 to capture the discount off of the estimated value</p> <p>20 because of the time pressures that the trustee</p> <p>21 would be under in terms of selling this business,</p> <p>22 as well as quantifying the probability that the</p> <p>23 asset could not be sold at fair market value or</p> <p>24 potentially at all.</p> <p>25 Q How soon after conversion to</p>	<p>1 Zilly - Highly Confidential</p> <p>2 Chapter 7 would this sale likely take place?</p> <p>3 A The analysis doesn't assume a certain</p> <p>4 set number of months, but what it does is simply</p> <p>5 assume that the trustee would be attempting to</p> <p>6 sell this asset as quickly as possible, and</p> <p>7 probably I think our estimate was within -- our</p> <p>8 overall estimate was that it would take, you know,</p> <p>9 12 months or so to actually achieve the entire</p> <p>10 Chapter 7 liquidation and the sale would probably</p> <p>11 take place sometime during that time.</p> <p>12 The reason we didn't feel it was</p> <p>13 important to specify a number of months is because</p> <p>14 although there would be costs associated with</p> <p>15 running the business during that period of time,</p> <p>16 those costs it was assumed would be offset by any</p> <p>17 cash that came into the business during that</p> <p>18 period of time.</p> <p>19 Q So, if I understand you correctly,</p> <p>20 you would expect the sale to be completed within</p> <p>21 12 months after the date of conversion?</p> <p>22 A That is correct.</p> <p>23 Q But it could be sooner.</p> <p>24 A It could be sooner. The analysis,</p> <p>25 the analysis -- the date is not as important for</p>

<p style="text-align: right;">Page 166</p> <p>1        Zilly - Highly Confidential  2    purposes of the estimated value as it is important  3    for the assumption of cash, and the cash number  4    assumes that all of this is wound down by  5    12/31/09.</p> <p>6        Q   I'm sorry, do you mean 12/31/10?  7        A   I'm sorry. 12/31/10, yes.</p> <p>8        Q   Okay. So in answer to the question I  9    asked, which is, "Or it might be sooner," it  10   sounds as though you are saying, but don't let me  11   put words in your mouth, that most likely it would  12   take the full 12 months or something very close to  13   it.</p> <p>14        MR. LEIBENSTEIN: Objection.</p> <p>15        Q   To sell the business.</p> <p>16        MR. LEIBENSTEIN: Objection.</p> <p>17        A   The actual sale could take less --  18   the actual sale of the business could take less  19   than 12 months. Documenting that sale, closing  20   out the Chapter 7, we assumed would take  21   12 months.</p> <p>22        Q   Let's talk about cash.  23        Grace is projected to have  24   \$787 million of cash on hand as of 12/31/09; is  25   that correct?</p>	<p style="text-align: right;">Page 167</p> <p>1        Zilly - Highly Confidential  2    A   That is not quite what this number  3    relates to. Basically, it's -- under the, under  4    the plan assumptions, there is an assumption of  5    cash at a starting day, there is an assumption of  6    the use of cash for purposes of implementing the  7    plan, and paying all of its obligations under the  8    plan on the effective date, ending up with a cash  9    amount at the end of a year.</p> <p>10        We basically worked backwards and  11   said if you simply added back all of those  12   amounts, what would be the pro forma cash that  13   would be available under the Chapter 7  14   liquidation. It's very close. There just might  15   be some things that are off slightly.</p> <p>16        Q   All right. So basically the  17   787 million would be the cash that was on hand at  18   that moment right before the projected  19   consummation of the Chapter 11 plan on 12/31/09;  20   is that correct? Or very close?</p> <p>21        A   Yes, that's correct.</p> <p>22        Q   Now, there would be additional cash  23   generated by the business during 2010, as I  24   believe you just testified; is that correct?</p> <p>25        A   Yes, that's correct.</p>
<p style="text-align: right;">Page 168</p> <p>1        Zilly - Highly Confidential  2        Q   Assuming that the business continued  3    to make the normal investments in capital  4    expenditure, and other items that were necessary  5    to maintain the value of the business -- well,  6    strike that. Let me not assume that.  7        Would it be your expectation that the  8    business would continue to make the -- to invest  9    in capital expenditures, or would that stuff  10   likely get put on hold during the period when the  11   company was being marketed?</p> <p>12        A   I think that -- I think that any  13   significant expenditures on capital expenditures  14   would probably -- would probably not happen. I  15   believe the company would continue to spend  16   whatever it needed to spend to maintain its  17   properties.</p> <p>18        And also that cash would be used to  19   pay liabilities that are also occurring in the  20   normal cycle of any business, i.e., cash coming in  21   from accounts receivable, but then you also have  22   cash that has to go out to pay its payables.</p> <p>23        Q   Assuming that the sale took place on  24   12/31/2010, how much excess cash, if any, over and  25   above the cash needed to pay the obligations</p>	<p style="text-align: right;">Page 169</p> <p>1        Zilly - Highly Confidential  2        incurred in running the business, would be  3    generated by the business?</p> <p>4        MR. LEIBENSTEIN: Objection, asked  5    and answered.</p> <p>6        A   I have not done that analysis, and as  7   I believe I have testified, that any, quote, cash  8   that is generated by the business would also be  9   used by the business during the period of time  10   when it was for sale to pay its ongoing  11   liabilities from operating as a going concern, so  12   that to the extent the sale did not take place for  13   six months to a year, the company would be cash  14   neutral.</p> <p>15        Q   May I direct your attention, please,  16   to page eight of Exhibit 1, which is your report  17   on feasibility.</p> <p>18        A   Yes.</p> <p>19        Q   Now, is it correct that you have  20   forecast that the business will generate core  21   EBITDA in the year 2010 of \$416 million?</p> <p>22        A   That is the company's estimate.</p> <p>23        Q   Do you believe that it is correct?</p> <p>24        A   I believe it's reasonable.</p> <p>25        Q   Okay. So in the context of</p>

<p style="text-align: right;">Page 170</p> <p>1                   <b>Zilly - Highly Confidential</b>  2   Chapter 7, I believe you said a moment ago that  3   capital expenditures will likely be put on hold.  4   Does that mean that the figure two lines down on  5   the chart on page eight, Exhibit 1, would no  6   longer be required to be spent?  7                    MR. LEIBENSTEIN: Objection.  8                    A   The company's forecast of 416 million  9   of EBITDA in 2010 assumes several things that  10   would not be the case with respect to liquidation  11   analysis.  12                  Number one, it assumes that the plan  13   is confirmed, and confers all the benefits that  14   the company coming out of Chapter 11 could  15   theoretically realize in its business.  16                  And number two, what I believe I  17   testified to was the company will continue to make  18   its maintenance capital expenditures.  19                  Q   And where do I find -- I'm sorry.  20                  Was there anything else besides one and two?  21                  A   Um-um.  22                  Q   Okay. Where would I find on page  23   eight of your report a number representing what  24   you have called maintenance expenses that are  25   going to continue to be spent?</p>	<p style="text-align: right;">Page 171</p> <p>1                   <b>Zilly - Highly Confidential</b>  2   MR. LEIBENSTEIN: Objection,  3   mischaracterizes what she just said.  4                  A   You would not find the number. The  5   cap-ex number on this page represents both  6   maintenance capital expenditures as well as  7   investments in facilities.  8                  Q   And do you know approximately the  9   division between the two?  10                 A   I recall that probably close to  11   anywhere from 80, 75 to 100 million dollars would  12   be maintenance cap ex.  13                 Q   So the balance of 60 million to  14   85 million dollars would represent non-maintenance  15   cap ex which would be postponed in the context of  16   Chapter 7; is that correct?  17                 MR. LEIBENSTEIN: Objection.  18                 A   Which may be postponed in the context  19   of Chapter 7.  20                 Q   Now, would you please explain to me  21   how confirmation of the Chapter 11 case affects  22   EBITDA -- strike that -- Chapter 11 plan affects  23   EBITDA.  24                 A   There are a number of ways that  25   exiting Chapter 11 would affect EBITDA. While the</p>
<p style="text-align: right;">Page 172</p> <p>1                   <b>Zilly - Highly Confidential</b>  2   company is in bankruptcy, its focus among other  3   things has been on cash flow generation to have  4   sufficient cash to make payments under the plan.  5   To the extent that they were out of Chapter 11,  6   they presumably would spend more, as you can see,  7   on capital expenditures, to invest further in the  8   business, to invest further in expanding its  9   facilities, to invest further in building new  10   facility such that they generate more sales, which  11   would have the effect of generating more EBITDA.  12                  They would be in a position to take  13   advantage of more, for example, joint venture  14   opportunities, to make acquisitions, to invest  15   more heavily in research and development and  16   bringing along certain new products that it  17   currently has in the pipeline.  18                  They would have the ability to  19   potentially have more, more flexibility with  20   respect to the pricing of its products, in terms  21   of implementing price increases, and they would  22   probably have the opportunity to do business with,  23   more business with certain institutions, with  24   certain companies who may have felt that working  25   with a Chapter 11 company was not something they</p>	<p style="text-align: right;">Page 173</p> <p>1                   <b>Zilly - Highly Confidential</b>  2   desired to do.  3                  All of those would go to either  4   improve sales, gross profit and EBITDA, once out  5   of bankruptcy.  6                  Q   So, is it your testimony that if the  7   Grace bankruptcy were to last another year -- we  8   are now talking about Chapter 11 bankruptcy --  9   were to last another year, that the forecasted  10   company EBITDA of \$416 million would not be  11   achieved?  12                 MR. LEIBENSTEIN: Objection.  13                 A   My testimony is that the \$416 million  14   assumes that the company is out of bankruptcy as  15   of December 31st, and therefore, you cannot rely  16   on the 416, assuming the company is in either  17   Chapter 11 or, worse, Chapter 7.  18                 Q   Has the company prepared a forecast  19   for the year 2010 that assumes that the company  20   remains in Chapter 11 during that year?  21                 A   Not to my knowledge, no.  22                 Q   What is your understanding of --  23   well, strike that.  24                 Is it your understanding that Grace  25   will emerge from Chapter 11 on the so-called</p>

<p style="text-align: right;">Page 174</p> <p>1           <b>Zilly - Highly Confidential</b>  2           <b>effective date of its Chapter 11 plan?</b>  3            MR. LEIBENSTEIN: Objection.  4            A    I'm sorry, could you --  5            MR. LEIBENSTEIN: Calls for  6            speculation.  7            A    Could you repeat the question.  8            (Record read.)  9            A    I don't -- I have no understanding.  10          I mean, the 12/31 -- in order to be able to  11          prepare analyses with respect to these types of  12          issues, there has to be an assumed effective date.  13          We assume the effective date is 12/31/09. I have  14          no evidence to suggest that is not the date, but  15          that is simply the date that was picked.  16          <b>Q    What do you understand is meant by</b>  17          <b>"Grace's emergence from Chapter 11"?</b>  18          A    That the company consummates its plan  19          of reorganization.  20          <b>Q    Okay. Thank you.</b>  21          Now, can you direct your attention  22          back to Exhibit 14.  23          A    Yes.  24          <b>Q    And I would now like to ask you about</b>  25          <b>the line item called "Fresenius payment."</b></p>	<p style="text-align: right;">Page 175</p> <p>1           <b>Zilly - Highly Confidential</b>  2           <b>Would you please first explain to me</b>  3           <b>what the figures of 115 million as the low and the</b>  4           <b>high in Chapter 11 are meant to signify.</b>  5            A    They are meant to signify the amount  6            of, the dollar amount of the settlement pursuant  7            to the Fresenius agreement.  8            <b>Q    That is the Fresenius settlement</b>  9           <b>agreement?</b>  10          A    Correct.  11          <b>Q    And that settlement agreement settled</b>  12          <b>what?</b>  13          <b>Would you like me to ask it another</b>  14          <b>way?</b>  15          MR. LEIBENSTEIN: I'm going to object  16          to the extent it calls for a legal  17          conclusion.  18          But you can answer to the best of  19          your knowledge.  20          A    Some -- my understanding was the  21          settlement agreement was reached in the context of  22          the -- what's become known as the fraudulent  23          conveyance lawsuit. The actual dollar amount I  24          believe was more complicated than that and related  25          to specific tax issues between Fresenius and</p>
<p style="text-align: right;">Page 176</p> <p>1           <b>Zilly - Highly Confidential</b>  2          Grace, the details of which I am not aware.  3          <b>Q    Okay. But when we talk about a</b>  4          <b>settlement agreement, what it settled was a</b>  5          <b>fraudulent transfer lawsuit?</b>  6          MR. LEIBENSTEIN: Objection.  7          A    That is my understanding. I am not  8          sure that is the correct legal term, but that is  9          my understanding.  10         <b>Q    And would your answer be the same, by</b>  11         <b>the way, if we were talking about the Cryovac</b>  12         <b>payment on the next line?</b>  13         A    If you are referring to the answer to  14         settle a certain fraudulent conveyance action, the  15         answer is yes.  16         <b>Q    Now, would you explain to me -- now I</b>  17         <b>am just back to Fresenius.</b>  18         <b>Would you explain to me the</b>  19         <b>\$105 million figure at the high end of the range</b>  20         <b>in Chapter 7?</b>  21         A    the 105 million assumes that the  22         trustee would actually, Chapter 7 trustee would  23         actually litigate and achieve a settlement in the  24         same dollar amount as under the Chapter 11  25         reorganization, but discounted for, I believe it</p>	<p style="text-align: right;">Page 177</p> <p>1           <b>Zilly - Highly Confidential</b>  2          was three years, for the time that it would take  3          to achieve that result.  4          <b>Q    And now please explain to me the --</b>  5          <b>it looks like a dash --</b>  6          A    Correct.  7          <b>Q    -- in the low end of the range of the</b>  8          <b>Fresenius payment.</b>  9          A    The low end of the range assumes that  10         zero, no dollars are forthcoming in the Chapter 7  11         liquidation for any number of reasons. Either  12         because the trustee chooses not to pursue the  13         litigation, a likely scenario, I guess, given the  14         time and the money that it would take to pursue  15         that litigation, and the fact that even if that  16         litigation were pursued, the likelihood of  17         getting the same settlement dollars out of  18         Fresenius would be small, based on the fact that  19         in a Chapter 7 liquidation, there is no 524G  20         protection for Fresenius, and which would  21         basically cover its successor liability issues,  22         and also the fact that my understanding is that  23         the risks of -- to Fresenius on just a fraudulent  24         conveyance lawsuit from a legal perspective was  25         deemed small.</p>

<p style="text-align: right;">Page 178</p> <p>1        Zilly - Highly Confidential</p> <p>2        Q    Deemed small by whom?</p> <p>3        A    Those doing the legal analysis.</p> <p>4        Q    Who are you referring to?</p> <p>5        A    My understanding, in discussions with</p> <p>6        both outside and inside counsel at -- for Grace,</p> <p>7        is that the fraudulent conveyance lawsuit was</p> <p>8        deemed to be a weaker case than the successor</p> <p>9        liability lawsuit.</p> <p>10       Q    Now, did I understand correctly your</p> <p>11       testimony of a moment ago to be that a Chapter 7</p> <p>12       trustee would likely not pursue the litigation at</p> <p>13       all?</p> <p>14       MR. LEIBENSTEIN: Objection.</p> <p>15       Mischaracterizes the testimony.</p> <p>16       A    I believe what I testified to is that</p> <p>17       a Chapter 7 trustee would need to find the time</p> <p>18       and the money to be able to pursue the fraudulent</p> <p>19       conveyance litigation, and that the reason it is</p> <p>20       zero in the low case is based on the assumption</p> <p>21       that the trustee either would not pursue that</p> <p>22       litigation because of the factors that I mentioned</p> <p>23       before or would be -- even in pursuing the</p> <p>24       litigation would be unsuccessful in achieving the</p> <p>25       same results that were achieved in the Chapter 11</p>	<p style="text-align: right;">Page 179</p> <p>1        Zilly - Highly Confidential</p> <p>2        case because of the lack of the factors that I</p> <p>3        just mentioned in a Chapter 7 case.</p> <p>4        Q    If the trustee chose to pursue the</p> <p>5        litigation, is it likely in your view that he</p> <p>6        would achieve a zero net recovery for the estate?</p> <p>7        MR. LEIBENSTEIN: Objection to the</p> <p>8        use of the term "achieve."</p> <p>9        A    I think it's more likely than not</p> <p>10       that the Chapter 7 trustee would not -- would</p> <p>11       achieve zero.</p> <p>12       Q    Let me direct your attention to the</p> <p>13       next line item, which is the Cryovac payment.</p> <p>14       Do I understand that the \$953 million</p> <p>15       figure on the Chapter 11 side of this chart</p> <p>16       represents the value of the settlement between</p> <p>17       Cryovac and Sealed Air on one hand and the</p> <p>18       bankruptcy estate on the other, to the bankruptcy</p> <p>19       estate?</p> <p>20       A    The 953 million, the Cryovac</p> <p>21       settlement is comprised of two separate parts.</p> <p>22       It's cash and the stock of Sealed Air. This</p> <p>23       number assumes a value of the stock of Sealed Air</p> <p>24       as of, I believe, February 20th, so based on</p> <p>25       whatever the stock price was at that date plus</p>
<p style="text-align: right;">Page 180</p> <p>1        Zilly - Highly Confidential</p> <p>2        cash plus the interest that accrues on that cash,</p> <p>3        that is the \$953 million.</p> <p>4        Q    Have you updated this figure to</p> <p>5        reflect any changes in the stock price since that</p> <p>6        time?</p> <p>7        A    No, I have not.</p> <p>8        Q    What does the \$873 million figure</p> <p>9        represent at the high end of Chapter 7?</p> <p>10       A    It assumes that the Chapter 7 trustee</p> <p>11       is successful in achieving the same results in</p> <p>12       terms of the 953 million, but that it is</p> <p>13       discounted to take into account the three-year</p> <p>14       time period it would take to actually achieve that</p> <p>15       result.</p> <p>16       Q    And the low-end figure?</p> <p>17       A    That assumes that the trustee does</p> <p>18       not pursue the litigation because of the time</p> <p>19       constraints of money, probability of success, or</p> <p>20       time, or if he pursues the litigation, that it is</p> <p>21       unsuccessful in achieving any recovery from Sealed</p> <p>22       Air pursuant to that litigation.</p> <p>23       Q    Let's talk about the next line item,</p> <p>24       which is insurance recovery. Now, does this</p> <p>25       figure -- this figure comes off the Grace balance</p>	<p style="text-align: right;">Page 181</p> <p>1        Zilly - Highly Confidential</p> <p>2        sheet, does it not?</p> <p>3        A    Yes. As of 12/31/08, I believe.</p> <p>4        Q    And does this represent in your view</p> <p>5        the most accurate available figure to project the</p> <p>6        value of Grace's insurance recoveries?</p> <p>7        MR. LEIBENSTEIN: Objection.</p> <p>8        A    Yes, it does.</p> <p>9        Q    And that would be true in both</p> <p>10       Chapter 7 and Chapter 11; correct?</p> <p>11       A    Yes. The insurance recovery</p> <p>12       obviously is based on claims, when these claims</p> <p>13       are paid, how much insurance the company has, and</p> <p>14       so for lack of any other better information with</p> <p>15       respect to claims, the 500 million was simply</p> <p>16       assumed across all scenarios.</p> <p>17       Q    And that is a reasonable assumption</p> <p>18       in your view?</p> <p>19       A    Yes.</p> <p>20       Q    Costs associated with Chapter 11</p> <p>21       reorganization, would you please explain what that</p> <p>22       line item signifies?</p> <p>23       A    The company identified \$100 million</p> <p>24       in its Chapter 11 plan to pay for the various</p> <p>25       costs associated with exiting Chapter 11,</p>

<p style="text-align: right;">Page 182</p> <p>1 Zilly - Highly Confidential 2 including exit financing costs, legal costs. 3 That is primarily it.</p> <p>4 Q And those costs would be avoided in 5 the event of a conversion to Chapter 7?</p> <p>6 A That is the assumption that is made 7 in this analysis.</p> <p>8 Q And that is a reasonable assumption; 9 correct?</p> <p>10 A Yes.</p> <p>11 Q Turning to the next line, which is 12 professional fees in a Chapter 7 liquidation, do I 13 understand that the projected professional fees 14 would be \$24 million, apart from the fees of the 15 trustee and any additional brokerage fees?</p> <p>16 A That is correct.</p> <p>17 Q And that is based on an assumed 18 expenditure of \$2 million per month for 12 months?</p> <p>19 A That's correct.</p> <p>20 Q If the case went on longer than 21 12 months, is it the assumption that would 22 probably have meant that less than \$2 million a 23 month got spent in the first 12 months?</p> <p>24 MR. LEIBENSTEIN: Objection.</p> <p>25 A No, that's not what I would have</p>	<p style="text-align: right;">Page 183</p> <p>1 Zilly - Highly Confidential 2 assumed.</p> <p>3 Q So the cost could be a little more 4 than 24 million if the case went longer than a 5 year?</p> <p>6 A Based on this assumption, yes.</p> <p>7 Q The trustee fees in the next line, do 8 I understand the low case to be \$27 million and 9 the high case to be \$45 million.</p> <p>10 A Yes, that's correct.</p> <p>11 Q How did you get those figures?</p> <p>12 A It's 1.5 percent of the calculation 13 of estimated value available, the one million 14 fifty plus the cash amount less the fees paid.</p> <p>15 Q And why -- well, let me first ask: 16 Why did you estimate the trustee fees as a 17 percentage of what you just described rather than 18 as a number of hours that would be expended times 19 a reasonable hourly rate?</p> <p>20 A It's my understanding that, and I 21 don't recall where, but there is a general 22 standard that trustees' fees can range up to 23 3 percent of the amount of the proceeds realized 24 in the Chapter 7 liquidation, so we simply used 25 the percentage that was lower than that based on</p>
<p style="text-align: right;">Page 184</p> <p>1 Zilly - Highly Confidential 2 the realizable proceeds in this hypothetical 3 Chapter 7 liquidation.</p> <p>4 Q And why did you use a percentage 5 lower than the statutory formula approximating 6 3 percent?</p> <p>7 MR. LEIBENSTEIN: Objection.</p> <p>8 A That was simply an assumption.</p> <p>9 3 percent of these numbers would be a significant 10 dollar amount, and we thought 1.5 percent was more 11 conservative in respect of the amount of dollars 12 that it would be applied against.</p> <p>13 Q If, if the trustee were to bill on an 14 hourly basis, what difference would it make in the 15 projected figure for trustee fees?</p> <p>16 A I haven't done that analysis.</p> <p>17 Q The next line, additional brokerage 18 fees, what is the basis for those figures?</p> <p>19 A The assumption there is the trustee 20 would hire a third party to actually market and 21 sell the Grace business, and that that third party 22 would require a fee that we have estimated to be 23 .5 percent of the estimated proceeds.</p> <p>24 Q Now, as to both the trustee fees line 25 and the additional brokerage fee line, the reason</p>	<p style="text-align: right;">Page 185</p> <p>1 Zilly - Highly Confidential 2 that the high case is a higher figure than the low 3 case is because there would be more cash coming in 4 the door; is that correct?</p> <p>5 A More total proceeds, yes.</p> <p>6 Q And so essentially the sum total of 7 those two lines says that 2 percent of the cash is 8 going out the door in trustee fees or additional 9 brokerage fees; is that correct?</p> <p>10 A I am sorry, I didn't follow that.</p> <p>11 Q You know, you actually -- your answer 12 to the previous question I think covers it, so why 13 don't we just move on.</p> <p>14 The administrative expenses line, 15 would you first please explain to me where the 16 \$31 million figure for Chapter 11 comes from.</p> <p>17 A That's an estimate based on the 18 company's books and records with respect to 19 administrative expenses that would be payable on 20 the effective date under the plan. The largest 21 amount of that is professional fee hold-backs for 22 all constituencies in the case, other professional 23 fees, and a small amount of an administrative 24 expense claim that is part of the environment EPA 25 settlement that the company entered into six or</p>

<p style="text-align: right;">Page 186</p> <p>1                   Zilly - Highly Confidential 2 eight months ago.</p> <p>3           Q   And would you now explain to me where 4 the \$26 million figure comes from for Chapter 7?</p> <p>5           A   Yes. It's -- the reduction is based 6 on the assumption that certain of the professional 7 fees would not be paid in a Chapter 7 as opposed 8 to the Chapter 11.</p> <p>9           Q   So that is the difference between the 10 31 million and the 26 million?</p> <p>11          A   That is correct.</p> <p>12          Q   Then priority tax claims and priority 13 claims, you have shown \$39 million across the 14 board in either Chapter 7 or Chapter 11; is that 15 correct?</p> <p>16          A   This again is an estimate based on 17 the company's books and records and an analysis of 18 claim filings, as well as an analysis by Grace's 19 tax team as to the amount of tax claims that would 20 be priority tax claims, primarily state claims, 21 that would be paid on the effective date, and a 22 very small amount of odds and ends priority 23 claims.</p> <p>24          Q   So that brings us to what appears to 25 be the bottom line here, the line headed</p>	<p style="text-align: right;">Page 187</p> <p>1                   Zilly - Highly Confidential 2 "Estimated Value Before Provision for General 3 Unsecured Claims, Asbestos PI and PD Claims and 4 Equity Interests."</p> <p>5           Is it fair to say that the conclusion 6 of this Grace best interests analysis is that in a 7 Chapter 7 case for Grace, commencing on 8 December 31, 2009, the amount of money available 9 to pay general unsecured creditors would be in a 10 range of from \$2.211 billion to \$2.371 billion?</p> <p>11          MR. LEIBENSTEIN: Objection.</p> <p>12          A   Yes, assuming that -- if you include 13 the Fresenius and the Cryovac in the 3.371, 14 correct.</p> <p>15          Q   Now, is it your understanding that 16 under the proposed Chapter 11 plan, non-asbestos 17 general unsecured creditors will be paid 100 cents 18 on the dollar plus interest?</p> <p>19          A   I'm sorry, could you just repeat the 20 question.</p> <p>21          Q   Sure.</p> <p>22          Is it your understanding that under 23 the proposed Chapter 11 plan, non-asbestos general 24 unsecured creditors will be paid 100 cents on the 25 dollar plus interest?</p>
<p style="text-align: right;">Page 188</p> <p>1                   Zilly - Highly Confidential</p> <p>2          A   Yes, with one exception. The -- 3 depending on how you define general unsecured 4 claims, if you're including the post-retirement 5 plan in the amount of general unsecured claims, 6 that is not getting interest. Those claimants -- 7 those participants in that plan do not get 8 interest.</p> <p>9          Q   Thank you.</p> <p>10         Is your understanding that under the 11 Chapter -- let me start again.</p> <p>12         Is it your understanding that under 13 the proposed Chapter 11 plan, asbestos personal 14 injury claims will be paid from a trust at a rate 15 projected to be from 25 to 35 cents on the dollar?</p> <p>16          MR. LEIBENSTEIN: Objection.</p> <p>17          A   I don't have personal knowledge of 18 that number, no.</p> <p>19          Q   Is it your understanding that in a 20 Chapter 7 case for Grace, all general unsecured 21 claims would be paid at the same percentage rate?</p> <p>22          MR. LEIBENSTEIN: Objection.</p> <p>23          A   I don't understand that question.</p> <p>24          Q   Is it your understanding that when a 25 Chapter 7 trustee distributes funds -- when he</p>	<p style="text-align: right;">Page 189</p> <p>1                   Zilly - Highly Confidential 2 distributes funds to general unsecured creditors, 3 that he makes a pro rata distribution?</p> <p>4          MR. LEIBENSTEIN: Objection.</p> <p>5          A   My understanding is that there would 6 be an amount of value cash available to distribute 7 to unsecured creditors and that amount would be 8 distributed to unsecured creditors. I guess if 9 that's --</p> <p>10         Q   Well, yes. The rest of the question 11 was it would be distributed on a pro rata basis; 12 is that correct?</p> <p>13         MR. LEIBENSTEIN: Objection.</p> <p>14         A   I'm having trouble with your question 15 because I don't understand when you say pro rata. 16 Pro rata on what?</p> <p>17         Q   Based on the amount of the claim as 18 allowed pursuant to Section 502 of the Bankruptcy 19 Code.</p> <p>20         MR. LEIBENSTEIN: Objection, vague.</p> <p>21         A   I think the Chapter 7 trustee would 22 distribute the proceeds based on claims, claim 23 amounts or settlement of claim amounts.</p> <p>24         Q   So, what you are saying is that a 25 claim might be allowed based on either litigation</p>

<p style="text-align: center;">Page 190</p> <p>1       <b>Zilly - Highly Confidential</b>  2       or settlement, and that most likely the allowance  3       would take place pursuant to settlement; is that  4       correct?</p> <p>5       MR. LEIBENSTEIN: Objection.</p> <p>6       A    I think what I just said was that the  7       pro rata -- that the distribution of the cash  8       would be to claimants, and those claimants would  9       either have allowed claims that were based on  10      either claims and/or settlements of those claims.</p> <p>11      Q    Okay. And then once the allowed  12      amount of the claim had been determined, most  13      likely through settlement, the trustee would make  14      a pro rata distribution to all claimants based on  15      the allowed amount of their respective claims; is  16      that correct?</p> <p>17      MR. LEIBENSTEIN: Objection, form.</p> <p>18      A    I can't answer that question because  19      I don't know what you mean by the concept of an  20      allowed claim.</p> <p>21      Q    If we define allowed as the amount  22      determined either by settlement or through the  23      outcome of litigation between the trustee and the  24      claimant, would that enable you to answer the  25      question?</p>	<p style="text-align: center;">Page 191</p> <p>1       <b>Zilly - Highly Confidential</b>  2       A    I'm sorry, say that again, please.  3       Q    Okay. If I told you that the -- that  4       the word "allowed" meant the amount of each claim  5       determined either by settlement or by court order  6       following litigation between the trustee and the  7       claimant, would that permit you to answer the  8       question?</p> <p>9       A    I'm sorry. I'm not understanding the  10      question.</p> <p>11      Q    Let's assume then that there are two  12      creditors and only two creditors in the Chapter 7  13      case. One of them has a claim for \$100, which is  14      allowed by court order after a big fight, and the  15      other one has a claim which gets settled for \$100.  16      It's your understanding that in each case, the  17      creditor would get the same percentage of its  18      claim paid by the trustee?</p> <p>19      MR. LEIBENSTEIN: Objection.</p> <p>20      A    It's my understanding the trustee  21      would pay whatever the court ordered be paid on  22      that claim.</p> <p>23      Q    Do you have an understanding of  24      whether Chapter 7 requires that it be the same  25      percentage of each claim that gets paid once the</p>
<p style="text-align: center;">Page 192</p> <p>1       <b>Zilly - Highly Confidential</b>  2       amount of that claim has been determined either by  3       settlement or court order?</p> <p>4       A    I'm sorry, I don't understand your  5       question. The same percent of what?</p> <p>6       Q    The same percentage of the allowed  7       amount of the claim as determined either by  8       settlement or court order.</p> <p>9       MR. LEIBENSTEIN: Objection.</p> <p>10      A    To me percentage involves a numerator  11      and a denominator, so I am -- so I guess I don't  12      understand your question.</p> <p>13      Q    What is your understanding of how a  14      trustee decides how much to pay to each creditor?</p> <p>15      MR. LEIBENSTEIN: Objection, vague.</p> <p>16      Q    Once, once the amount of each claim  17      has been determined either by litigation or by  18      settlement.</p> <p>19      A    That would depend on how much -- how  20      many assets were available.</p> <p>21      Q    Right. So, let's say that after  22      obtaining -- to take an example, let's say that  23      the funds left over after the assets are sold and  24      the secured and priority claims are paid and all  25      the expenses of the Chapter 7 are paid, are \$100,</p>	<p style="text-align: center;">Page 193</p> <p>1       <b>Zilly - Highly Confidential</b>  2       and you have two claimants, one with a claim for  3       \$100, and one with a claim for \$300. So the total  4       claims are \$400 as allowed either by settlement or  5       court order. And the assets, the cash that is  6       available to pay those claims is \$100.  7       What is the percentage distribution  8       to those creditors?</p> <p>9       A    Under that scenario, it's my  10      understanding that one would get 100 percent of  11      the claim, potentially not 100 percent of the  12      settlement, if the settlement wasn't the same as  13      the claim, and the other would get less than  14      one percent.</p> <p>15      Q    So the trustee has \$100 to distribute  16      to claims in the total allowed amount of \$400.  17      Which claim is he going to pay in full?</p> <p>18      A    I'm sorry, that is not the way I  19      understood the question.</p> <p>20      MR. LEIBENSTEIN: You changed the  21      hypothetical. The first time it was that  22      there was \$100 to pay each of the claims.  23      Pay one 100, and one 100 out of the 400.</p> <p>24      Q    I'm sorry, \$100 to pay all of the  25      claims. So you have two claims, one for \$100 and</p>

<p style="text-align: center;">Page 194</p> <p>1       <b>Zilly - Highly Confidential</b>  2       <b>one for \$300, and there is \$100 available for</b>  3       <b>distribution.</b></p> <p>4       A    Then each --  5            MR. LEIBENSTEIN: Wait. Objection,  6            vague.</p> <p>7       Q    <b>How much would be distributed to each</b>  8       <b>creditor?</b></p> <p>9           MR. LEIBENSTEIN: Objection, vague.</p> <p>10      A    It's my understanding that the  11       trustee would distribute the \$100 to the claimant  12       of -- with the \$100 claim, as well as the claimant  13       with the \$300 claim.</p> <p>14      Q    <b>Right. So how much would go to each,</b>  15       <b>how much of the \$300?</b></p> <p>16      A    I'm sorry, I need a calculator. Less  17       than 100 percent of their allowed claim.</p> <p>18      Q    <b>Since there is \$100 available to pay</b>  19       <b>\$400 of claims in total, would that mean that each</b>  20       <b>creditor got 25 percent?</b></p> <p>21      A    If you say so.</p> <p>22      Q    <b>In a Chapter 7 case for Grace,</b>  23       <b>commencing on December 31, 2009, what would the</b>  24       <b>percentage rate of payment be to general unsecured</b>  25       <b>creditors?</b></p>	<p style="text-align: center;">Page 195</p> <p>1       <b>Zilly - Highly Confidential</b>  2           MR. LEIBENSTEIN: Objection.  3           A    I'm sorry, I'm sorry. Could you  4       repeat the question.</p> <p>5       Q    <b>Sure.</b></p> <p>6           <b>In a Chapter 7 case for Grace</b>  7       <b>commencing on December 31, 2009, as you have</b>  8       <b>assumed in the best interests analysis, what would</b>  9       <b>the percentage rate of payment be to general</b>  10       <b>unsecured creditors?</b></p> <p>11      MR. LEIBENSTEIN: Objection, lack of  12       foundation.</p> <p>13      A    Less than what they would get in a  14       Chapter 11 case.</p> <p>15      Q    <b>How much would they get in a</b>  16       <b>Chapter 11 case as a percentage rate of payment?</b></p> <p>17      A    In a Chapter 11 case, you have an  18       estimated value, based on the value of Grace's  19       cash, certain settlements, and you have a general  20       unsecured claim which according to the plan is  21       fixed, and your provision for asbestos PI and PD  22       claims which have been settled in accordance with  23       the plan.</p> <p>24      In the Chapter 7 liquidation, you  25       have less assets, no settlements, potential, and a</p>
<p style="text-align: center;">Page 196</p> <p>1       <b>Zilly - Highly Confidential</b>  2       claim number put forth -- and an unknown claim  3       number, an unknown settlement for the asbestos PI  4       and the PD claims that, based on my understanding  5       of what the original claim amounts would be, would  6       be significantly higher than what was settled for  7       in the Chapter 11 case, which is why I state that  8       the percentage would be less in Chapter 7 than  9       under Chapter 11.</p> <p>10      (Discussion held off the record.)</p> <p>11      BY MR. COHN:</p> <p>12      Q    <b>Have you attempted to forecast the</b>  13       <b>percentage rate of payment to general unsecured</b>  14       <b>creditors in a Chapter 7 case with Grace</b>  15       <b>commencing on December 31, 2009?</b></p> <p>16      MR. LEIBENSTEIN: Objection, vague.</p> <p>17      A    I have not calculated the percentage.  18      I just, I just know that the total claims for  19       asbestos PI and PD would be higher in a Chapter 7  20       than in the Chapter 11. In the Chapter 11.  21       Sorry.</p> <p>22      Q    <b>Are you aware that in the Chapter 11</b>  23       <b>case, asbestos PI claims that will ultimately be</b>  24       <b>paid include not just present claims but also</b>  25       <b>future demands?</b></p>	<p style="text-align: center;">Page 197</p> <p>1       <b>Zilly - Highly Confidential</b></p> <p>2      A    Yes.</p> <p>3      Q    <b>In a Chapter 7 case, would asbestos</b>  4       <b>PI claims that got paid include not only present</b>  5       <b>claims but also future demands?</b></p> <p>6      A    I don't think the trustee in a  7       Chapter 7 would have the time, the inclination or  8       the money to differentiate between claimants that  9       showed up claiming they were future claims or  10       current claims.</p> <p>11      MR. COHN: I have no further  12       questions.</p> <p>13      MR. LEIBENSTEIN: Somebody on the  14       phone?</p> <p>15      MS. LOK: Yes.</p> <p>16      MR. LEIBENSTEIN: You said you only  17       have a few minutes.</p> <p>18      EXAMINATION</p> <p>19      BY MS. LOK:</p> <p>20      Q    <b>Ms. Zilly, I'm representing Travelers</b>  21       <b>Casualty. I'm with Simpson, Thacher &amp; Bartlett.</b></p> <p>22      <b>In your best interests analysis, did</b>  23       <b>you perform any analysis to determine the value of</b>  24       <b>distribution that Travelers would receive for its</b>  25       <b>claims if the debtors liquidated under Chapter 7?</b></p>